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IN THE

Supreme Court of the United States

METRO-GOLDWYN-MAYER STUDIOS INC., *et al.*,

Petitioners,

v.

GROKSTER, LTD., *et al.*,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

AMICUS CURIAE BRIEF OF THE AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION IN SUPPORT OF NEITHER PARTY

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AMICUS CURIAE BRIEF OF THE AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION IN SUPPORT OF NEITHER PARTY

The American Intellectual Property Law Association ("AIPLA") respectfully submits this brief as *amicus curiae* in support of neither party.

INTERESTS OF *AMICUS CURIAE*[1]

The AIPLA is a national bar association of more than 16,000 members with interests and practices primarily in the areas of patent, trademark, copyright, trade secret, and other areas of intellectual property law. Unlike areas of practice in which separate and distinct plaintiffs' and defendants' bars exist, most intellectual property lawyers represent both intellectual property owners and alleged infringers.

The AIPLA has no interest in any party to this litigation or stake in the outcome in this case, other than its interest in seeking a correct interpretation and application of the copyright laws.

In accordance with Supreme Court Rule 37.3(a), the AIPLA has obtained written consent to the filing of this brief from the counsel of record for the parties. The letters of consent have been filed with the Clerk of the Court.

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1. In accordance with Supreme Court Rule 37.6, *amicus curiae* states that this brief was not authored, in whole or in part, by counsel to a party, and that no monetary contribution to the preparation or submission of this brief was made by any person or entity other than the *amicus curiae* or its counsel.

SUMMARY OF ARGUMENT

The concept of secondary liability is well recognized in virtually every area of the law. While the Copyright Act does not explicitly provide that one party can be held liable for the infringement committed by another, secondary liability for copyright infringement in the form of contributory or vicarious liability has been imposed by the Courts under certain circumstances.

In *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984), the Court's most recent pronouncement of the standard to be applied to a claim for contributory or vicarious copyright infringement, the Court held that "the sale of copying equipment, like the sale of other articles of commerce, does not constitute contributory infringement if the product is widely used for legitimate, unobjectionable purposes. Indeed, it need merely be capable of substantial noninfringing uses." *Id.* at 442. The courts and the parties recognize that *Sony* is controlling here, but differ as to its requirements and application.

Relying on its interpretation of *Sony* in *A&M Records v. Napster*, 239 F.3d 1004 (9th Cir. 2001), the Ninth Circuit held in the case at bar that "if a defendant could show that its product was capable of substantial or commercially significant noninfringing uses, then constructive knowledge of the infringement could not be imputed . . . , the copyright owner would be required to show that the defendant had reasonable knowledge of specific infringing files." *Metro-Goldwyn-Mayer, Inc. v. Grokster*, 380 F.3d 1154, 1160-61 (D.C. Cal. 2004). In contrast, the Seventh Circuit, in *In re Aimster Copyright Litig.*, 334 F.3d 643 (7th Cir. 2003), stated that a defendant must present evidence of actual

noninfringing uses. "As should be evident from our earlier discussion the question is how probable are [the noninfringing uses]. It is not enough as we have said, that a product or service be physically capable, as it were, of a noninfringing use." *Aimster*, 334 F.3d at 651. If the Seventh Circuit's interpretation of *Sony* is correct, then evidence of some undefined level of actual noninfringing use would seem to be required to avoid liability for contributory or vicarious copyright infringement.

The conflict caused by the Ninth and Seventh Circuit's differing interpretations of *Sony* places a significant burden on copyright holders and developers of products which may be used for both infringing and noninfringing purposes. Without clarification of the standard for secondary liability, extensive on-line copyright infringement is likely to continue, and at the same time, software developers such as Respondents will be stymied in their efforts to avoid secondary liability by developing systems with sufficient noninfringing uses.

ARGUMENT

I. The Ambiguities in *Sony* Have Resulted in a Conflict Between the Circuits With Respect to the Standard for Secondary Copyright Liability

A. *Sony's* "Substantial Noninfringing Uses" Standard

In 1984, the Court addressed the issue of when the maker of a device which enables third parties to directly infringe copyrighted works may be held liable for secondary copyright infringement. *Sony Corp. v. Universal Studios, Inc.*, 464 U.S.

417 (1984). At issue in *Sony* was the then-new video tape recorder ("VTR") which for the first time allowed users to record television programs and movies broadcast over the air, fast forward through commercials and make multiple copies. Universal alleged that the public's use of Sony's Betamax VTR in this manner subjected Sony to contributory or vicarious copyright infringement. *Id.* at 422-23.

Affirming the district court's findings that at least some uses of the VTR by the public were noninfringing, such as "time-shifting"[2] or copying public domain works broadcast over the air, this Court found that Sony could not be held liable for secondary copyright infringement. In doing so, the Court set forth the following standard for secondary liability for copyright infringement:

> [T]he sale of copying equipment, like the sale of other articles of commerce, does not constitute contributory infringement if the product is widely used for legitimate, unobjectionable purposes. Indeed, it need merely be capable of substantial noninfringing uses.

Id. at 442. This seemingly straight forward standard has recently resulted in a split among the Circuits when confronted with claims of secondary liability for copyright infringement, particularly as it is applied to more advanced technologies such as the peer-to-peer file sharing at issue in

2. The Court indicated that both parties had conducted surveys on the way the VTR was used. "Although there were some differences in the surveys, they both showed that the primary use of the machine for most owners was 'time-shifting' — the practice of recording a program to view it once at a later time, and thereafter erasing it." *Id.* at 423.

the case at bar. Indeed, as explained below, the Ninth Circuit relied on the second sentence for a rule that precludes secondary liability where a product is "merely capable" of substantial non-infringing uses; the Seventh Circuit relied on the first sentence for a standard that considers if a product "is widely used for legitimate, unobjectionable purposes."

The technological landscape has significantly changed since *Sony* was decided in 1984. Although it was a technological breakthrough in the 1980s, the video tape recorder at issue in *Sony* could be considered archaic by today's standards. The peer-to-peer file sharing systems at issue in the case at bar, in *Aimster* and *Napster* can be used for copyright infringement on a much greater, wider and faster scale than the video tape recorder at issue in *Sony*. The speed by which a motion picture or sound recording can be infringed on-line using these types of services is further compounded by the quality of the copies made. The video tape recorder made analog copies from broadcasts. The quality of the video and fidelity of the audio decreased with every copy, thereby reducing the benefits of infringement and creating a market for authorized video tapes of motion pictures and television programs. Today, on-line copies are digital and there is no loss of fidelity or picture quality when a motion picture or sound recording is downloaded off the Internet. Each copy is as good as the original. Many have argued that this has resulted in a decrease in the market for authorized music and motion pictures.

These technological changes have made the issue of secondary liability for copyright infringement extremely important to both the copyright holders and the developers of software and systems for peer-to-peer file sharing. It is imperative that the standard be clearly understood and

consistently applied so that the copyright holders and the developers know the bounds of what is permissible.

B. The Ninth Circuit Reads *Sony* To Require That The Device Be "Capable of Substantial NonInfringing Uses"

In the case at bar, the Ninth Circuit held that the peer-to-peer software distributed by Respondents did not subject them to secondary liability for copyright infringement because their software was "capable of substantial noninfringing uses." *Grokster*, 380 F.3d. at 1162. The court below cited its 2001 opinion in *Napster* as precedent. *Id.* at n.9.

Relying on *Sony*, the Ninth Circuit ruled in the prior *Napster* case that merely supplying the "means to accomplish an infringing activity" does not lead to the imposition of secondary liabiiity. *Napster*, 239 F.3d at 1021 (quoting *Sony*, 464 U.S. at 436). The Ninth Circuit determined that the district court had improperly found that Napster had "failed to demonstrate that its system is capable of commercially significant noninfringing uses." It further held that

> We depart from the reasoning of the district court that Napster failed to demonstrate that its system is capable of commercially significant noninfringing uses. . . . The district court improperly confined the use analysis to current uses, ignoring the system's capabilities. See generally *Sony*, 464 U.S. at 442-43 (framing [the] inquiry as whether the video tape recorder is "capable of commercially significant noninfringing uses"). Consequently, the district court placed undue weight on the proportion of current infringing use as compared to current and future noninfringing use.

Napster, 239 F.3d at 1021 (citation omitted).

Based on this reading of *Sony*'s substantial noninfringing use standard, the Ninth Circuit in the case at bar affirmed the district court's finding that the Grokster and Streamcast systems were capable of substantial noninfringing uses. *Grokster*, 380 F.3d at 1162. Petitioners argued below that the "vast majority" of the uses made of Respondents' systems were for copyright infringement. *Id.* The Ninth Circuit concluded that this argument "misapprehends the *Sony* standard as construed in *Napster*, which emphasized that in order for limitations imposed by *Sony* to apply, a product need only be *capable* of substantial noninfringing uses." *Id.* (citing *Napster*, 239 F.3d at 1021) (emphasis in original). Ultimately, the court found that because Respondents had demonstrated that their systems were capable of substantial noninfringing uses, they could not be held liable for constructive knowledge of infringement.

C. The Seventh Circuit's Standard Requires The Substantial Noninfringing Uses to Be "Probable"

The Seventh Circuit's decision in *Aimster* indicated that a product must be more than merely capable of substantial noninfringing uses. While acknowledging that the Aimster system was capable of at least five different types of noninfringing uses, it stated:

> All five of our examples of actually or arguably noninfringing uses of Aimster's service are

> possibilities, but as should be evident from our earlier discussion the question is how probable they are. It is not enough as we have said, that a product or service be physically capable, as it were, of a noninfringing use. Aimster has failed to produce any evidence that its service has ever been used for a noninfringing use, let alone evidence concerning the frequency of such uses.

Aimster, 334 F.3d at 653.

The *Aimster* court read *Sony* to hold "that the producer of a product that has substantial noninfringing uses is not a contributory infringer merely because some of the uses actually made of the product . . . are infringing. . . . How much more the *Sony* Court held is the principal issue. . . ." *Aimster*, 334 F.3d at 647 (internal quotations and citations omitted) (citing *Sony*, 464 U.S. 417). The *Aimster* court then quoted from *Sony*:

> The [Supreme C]ourt ruled that 'the sale of copying equipment, like the sale of other articles of commerce, does not constitute contributory infringement if the product is widely used for legitimate, unobjectionable purposes. Indeed, it need be merely capable of substantial noninfringing uses. . . . Moreover, in order to resolve this case we need not give precise content to the question of how much use is commercially significant.

Aimster, 334 F.3d at 648 (citing *Sony*, 464 U.S. at 438, 442) (citations omitted).

The Seventh Circuit emphasized, albeit in dictum, that the controlling issue was not the existence of some actual legitimate use, but the ratio of legitimate use to unlawful use. "What is true is that when a supplier is offering a product or service that has noninfringing as well as infringing uses, some estimate of the respective magnitudes of these uses is necessary for a finding of contributory infringement." *Aimster*, 334 F.3d at 649.

Affirming the district court's preliminary injunction, the Seventh Circuit agreed that "no evidence whatsoever" had been submitted to show that "Aimster is *actually* used for any of the stated noninfringing purposes." *Id.* at 653 (emphasis in original).

II. The Court Should Clarify *Sony* with Respect to the Amount of Evidence Required to Avoid Liability for Secondary Copyright Infringements

If the Seventh Circuit is correct that evidence of actual noninfringing uses is required, no guidelines exist to measure how much use will suffice. The *Aimster* court found that there were five possible noninfringing uses of the Aimster system, but that no evidence of actual noninfringing uses was submitted[3]. In contrast, the court noted that the copyright holders had submitted enough evidence of infringing uses "to shift the burden of production to Aimster to demonstrate

3. The district court disregarded the single declaration submitted by one of the defendants. Instead, the district court seemed to require, and the Seventh Circuit agreed, that evidence from ". . . 'real-life' Aimster users demonstrating that they made actual noninfringing uses of Aimster, was necessary." *Aimster*, 334 F.3d at 653 (quoting *In re Aimster Copyright Litig.*, 252 F. Supp. 2d 634, 653 (N.D. Ill. 2002).

that its service has substantial noninfringing uses." *Aimster,* 334 F.3d at 652. It observed that "Aimster has failed to produce any evidence that its service has ever been used for a noninfringing use, let alone evidence concerning the frequency of such uses." *Id.* at 653. It also implied that Aimster needed to establish that the noninfringing uses predominated over infringing ones. *Id.*

While the Seventh Circuit required evidence it did not find, the Ninth Circuit found evidence it did not need. The *Grokster* court, holding that mere capability of noninfringing use is enough, confirmed the district court's finding that the system was used for some legitimate purposes:

> A careful examination of the record indicates that there is no genuine issue of material fact as to noninfringing uses. Indeed, the Software Distributors submitted numerous declarations by persons who permit their work to be distributed via the software, or who use the software to distribute public domain works. . . . Indeed, even at a 10% level of legitimate use, as contended by the Copyright Owners, the volume of use would indicate a minimum of hundreds of thousands of legitimate file exchanges.

Grokster, 380 F.3d at 1161, n.10.

The genesis of the disagreement lies within the opinion in *Sony*. The Court there said that a product "need merely be capable of substantial noninfringing uses"; but it also said that there would be no contributory infringement "if the product is widely used for legitimate, unobjectionable

purposes."[4] Is the standard "mere capability", or "wide use"? The split in authority between the Ninth Circuit and the Seventh Circuit plagues important sectors of the economy with confusion and uncertainty. Copyright holders need practical protection from rampant infringement of their works, and software and equipment suppliers need predictable boundaries for the marketing of lawful products.

CONCLUSION

For the foregoing reason, the AIPLA respectfully requests the Court grant certiorari to resolve the judicial disagreement over the meaning of *Sony*.

Respectfully submitted,

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4. Indeed, *Sony* seems to have implicitly relied, at least in part, on evidence that the video tape recorders were actually used for noninfringing purposes such as time shifting, which the Court determined was a fair use. *Sony*, 464 U.S. at 434 ("As was made clear by their own evidence, the copying of the respondents' programs represents a small portion of the total use of [video tape recorders]."). "Sony demonstrated a significant likelihood that substantial numbers of copyright holders who license their works for broadcast on free television would not object to having their broadcasts time-shifted by private viewers. . . . The Betamax is, therefore, capable of substantial noninfringing uses." *Id.* at 456.